

Retro Advisory Committee
Meeting notes taken July 11, 2006
1:00 p.m. at L&I headquarters in Tumwater

The meeting was called to order at 1:07 p.m. by committee chair Diane Doherty.

Introductions

Introductions were made around the room beginning with the committee, followed by audience members/attendees.

Employer reporting of claims

Barb Lansford (Special Projects, Insurance Services) gave a brief update on this two-year pilot project established as a result of Substitute House Bill (SHB) 2537. The pilot is scheduled to begin January 1, 2007. The project allows injured workers to file a claim for industrial injuries and/or occupational disease claims through their employer as an alternative to physician reporting. The employer does not get to decide whether to file the claim; also, the employee retains the right to see a physician of their choosing.

This project will allow the department to test and measure a process that is currently being used in other states. It will also provide employers with early knowledge of a claim and help promote communication between the injured worker and employer. This will allow employers to become aware of and correct safety hazards more quickly, and to provide more accurate claim information to L&I sooner. Employers should also be better able to control claim costs through return-to-work efforts, light duty and kept on salary (KOS) options.

SHB 2537 specifies that employers participating in the pilot will do so on a voluntary basis—this means the department will not be ‘hand picking’ employers. The bill also sets a maximum of 500 employers during the first year (2007), with an additional 250 employers allowed in the second year (2008). Participating businesses must represent a “cross-section” of industries, geographic regions and union/non-union, as well as large and small businesses.

In order to participate, an employer will need to meet minimum requirements established by L&I. They must: keep their account in good standing; be registered as a contractor (if appropriate); and, have no [validated] industrial insurance discrimination complaints filed against them. Also, their DOSH (aka WISHA) record cannot contain any: willful violations; repeated general or serious violations; or, citations for failure to abate. Finally, they must have been in business at least two years.

Employers who participate in the pilot project will enter into an agreement with the department and pledge to:

- Provide all workers with written materials developed by L&I to explain the pilot and the rights of workers under the workers’ compensation laws.
- Provide L&I with OSHA 300 logs if they are required to keep them, or an incident log L&I will develop.
- Provide workers with written confirmation that the worker has initiated the filing of a claim through the employer.
- Agree to meet department expectations for promptly filing the claim within two days of the worker completing the claim form.
- Assist L&I in periodic surveys of employees to identify incidents where employers may be directing medical care or discouraging the filing of claims.

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- Provide any information the department may need for completion of the reports to the Legislature concerning the results of the pilot.

New accident report forms will be developed for both employer reporting and physician reporting:

- Physician ROA will no longer have employer portion.
- Employers will get copies from L&I automatically.

Employer reporting forms will be developed with employer/worker portions and doctor portion; the worker will take it to medical provider to complete. Employer reported claims will have unique claim numbers for project tracking purposes. The department will encourage filing claims by fax, as this reduces delays since fax documents go directly into the imaging system (electronic filing is not a part of this project).

Barb asked that retro groups encourage their members to participate, especially small employers. The department will need users to assist in the development of new report forms and educational materials.

It was asked whether the department will offer training to retro groups on the employer reporting system, since they will need to know how to answer questions their participating members may have. Barb indicated the department did not have plans to provide such training, but would look into it.

Anyone interested in the project should go the web site www.EmployerReporting.LNI.wa.gov, fill out the survey found there and join the mailing list to receive updates. Project staff can be contacted by e-mail at EmployerReporting@LNI.wa.gov; and, Sara Spiering is the project manager. She can be reached at spie235@LNI.wa.gov or by calling 360-902-5658.

Actuaries' Corner

Calculating April Performance Adjustment Factors for July Enrollment

Nichole Runnels (Actuarial Analyst) explained how the performance adjustment factors (PAF) were determined for the recent adjustment of July coverage periods. She spoke directly from a detailed handout provided to the committee; attached here as reference. *See exhibit #1:*

www.LNI.wa.gov/ClaimsIns/Files/Retro/Advisory/Minutes/2006/Attach/Exhibit1RetroAdvCmte20060711attachment.pdf

Proposed 2007 Experience Rating Plan

Bill Vasek (Senior Actuary) "Simpler, more accurate, more robust." These are the bywords of the new proposed experience rating process. The goals for this new plan are to make it [simpler and] easier to understand, easier to explain and more accurate.

The department has gone back and analyzed five previous rating years, and calculated that the new system would have worked better than the system in place now. More robust, as in small changes in the experience should result in small changes in the experience factor.

The current formula is hard to explain and understand. It is specified in WAC, and is an antiquated method that assumed all calculations were to be done by hand. To that end, it saved one key punch step

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for each firm's rating calculation. With modern technology however, the new formula can be calculated in a very short timespan, even with additional steps.

The new method is easier to understand, with credibility a specific factor in the tables. It will also be more accurate, by changing the credibility weight given to the experience, and will more equitably assign credibility to firms of various sizes. Therefore, expected future loss ratios will be almost identical regardless of firm size.

Accuracy will improve by changing the credibility weights given to experience. Credibility for small firms will increase, and decrease for medium and large firms. These changes in credibility will be made so expected future loss ratios will be almost equal for firms regardless of size and past loss experience. Credibility for small firms will be increased and brought closer to the credibility used for the disability claim-free system.

A detailed handout provided by Senior Actuary Bill Vasek (360 902-5015) is attached for reference. *See exhibit #2:*

www.LNI.wa.gov/ClaimsIns/Files/Retro/Advisory/Minutes/2006/Attach/Exhibit2RetroAdvCmte20060711attachment.pdf

Approval of minutes

It was moved, seconded and carried to approve the minutes of the April 11, 2006 meeting, as submitted (motion passed).

Committee Vacancies

Diane Doherty (Retro Program Manager, acting) discussed current and future vacancies on the Retro Advisory Committee. As specified in the by-laws, the committee consists of eleven (11) positions: four (4) seats for those representing individual retro participants, six (6) seats for group member representatives, and one (1) seat for the department employee who also serves as chair.

There are currently several positions that need to be filled on the committee, including three (3) individual positions, and one (1) group position; however, the previous appointees are continuing to serve until their successors are selected. In addition, one group position will be expiring at the end of this year.

Diane explained that the department is looking for candidates from a cross-section of region, industry, and size of business. Please let her know if you are interested in participating on the committee.

Good of the Order

Retro Symposium: *Diane Doherty* explained that a short questionnaire was distributed by Diana Finch at a previous committee meeting, soliciting input on future direction for the retro symposiums. The questionnaire was also sent to subscribers of the retro "listserv" (LNI-RETRO-NEWS) mailing list. Based on those opinions expressed in the limited response, there will be no retro symposium at the Governor's Industrial Safety & Health Conference this year in Spokane.

The department will continue to explore new formats and welcomes ideas and suggestions from the retro community. Among ideas being considered are quarterly symposiums on the same day as (but

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prior to) advisory committee meetings; topics may include, the mechanics of retro, loss control, claims management, introduction to retro, etc.

Retro Web Site: *Diane Doherty* discussed information available on retro web pages (found at retro.LNI.wa.gov). The retro groups' financial information (refund/assessment summaries) was originally placed on the web as a result of recommendations from the JLARC report of 1999. One of the conclusions of the report was that the department should notify all the members of each retro group of the outcome for each of their group adjustments. After soliciting input from the retro community, and determining it was not practical to do so, the department decided to place retro financial information on the web site. In addition, the department now posts a quarterly report of new group enrollees; it contains employers who have joined a retro group for the first time (including their UBI, account ID and business/industry category of the retro group they joined).

Quarterly Claim Reports: *Tom Kwieciak (Building Industry Association)*. Had a question about differences between the developed loss values displayed on the monthly and quarterly reports prior to the adjustment report, when compared to those on the adjustment report. On the last two quarterly reports they got before their adjustment, there was a major difference in developed losses, which changed the expected refund amount. There were big changes from the December quarterly to March's, and the adjustment report. Bill Vasek commented that the data in the quarterly reports is not fully reliable, as the performance adjustment factors are updated closer to the adjustment date. Diane will be meeting with Actuaries about LDF's and report cycles.

Jan Gee had a phone call discussion with her groups' third party administrator about PAF (Performance Adjustment Factor) applied to pension claim, was over "1". When the PAF goes over 1 it appears we are multiplying the ultimate known cost of a pension claim, charging more than the cost or the stated value. Bill Vasek stated that the PAF adjusts for rate adequacy, multiplying times the losses rather than the premiums. It's the loss ratio that gives your percentage refund. We multiply the PAF times losses not premiums. When you're looking at loss development, you need to see the effect of the pure loss development before the PAF is applied. That's what gives you the best idea of what the costs are. PAF is just a way to get to the targeted refund. To bring losses down to the level of premiums. Every claim has a PAF applied, not only Retro claims. We take all claims and multiply times LDF and then apply PAF in a two part process. In July 2007, the department will be applying different factors to different types of claims. This will be discussed with Actuary Staff in the meeting mentioned above, and reviewed at the next Retro advisory committee meeting.

Next meeting: Tuesday, October 10, 2006